In The Matter Of:

City of Detroit

Mark D. Jacobs July 11, 2014



Bingham Farms/Southfield • Grand Rapids
Ann Arbor • Detroit • Flint • Jackson • Lansing • Mt. Clemens • Saginaw

Original File JACOBS_MARK D..txt
Min-U-Script® with Word Index

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Page 3
                                            Page 1
                 UNITED STATES BANKRUPTCY COURT
1
                                                    1 ALBERT B. ADDIS (P31084)
2
                    EASTERN DISTRICT OF MICHIGAN
                                                    2 KEITH C. JABLONSKI (P62111)
                                                       THOMAS D. ESORDI (P45428)
                         SOUTHERN DIVISION
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                                                       O'Reilly Rancilio PC
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                                                    5
                                                       12900 Hall Road
 6
   In re:
                            )
                                 Case No. 13-53845
                                                    6
                                                       Suite 350
    CITY OF DETROIT, MICHIGAN )
                                                       Sterling Heights, Michigan, 48313
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               Debtor
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                               Hon. Steven W. Rhodes
11
                                                   11
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12
                                                   12
                                                           Appearing on behalf of the Macomb Interceptor
13
         The Deposition of MARK D. JACOBS,
                                                   13
                                                            Drain Drainage District.
         Taken at 150 W. Jefferson, Suite 2500,
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15
         Detroit, Michigan,
                                                   15
                                                       JEROME R. WATSON (P27082)
         Commencing at 3:29 p.m.,
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                                                   16
                                                       M. MISBAH SHAHID (P73450)
17
         Friday, July 11, 2014,
                                                   17 Miller Canfield Paddock & Stone, PLC
18
         Before Melinda S. Moore, CSR-2258.
                                                   18
                                                       150 W. Jefferson Avenue
19
                                                       Suite 2500
                                                   19
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                                                   20
                                                       Detroit, Michigan 48226
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                                                       313.963.6420
                                                   22
22
                                                       watson@millercanfield.com
                                                       shahid@millercanfield.com
23
                                                   23
24
                                                   24
                                                            Appearing on behalf of the City of
25
                                                   25
                                                            Detroit.
                                            Page 2
                                                                                               Page 4
   APPEARANCES:
                                                      ARTHUR H. RUEGGER
                                                       JOSEPH SELBY
                                                       Salans FMC SNR Denton
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                                                            Official Committee of Retirees
10
    ssierzenga@khlblaw.com
                                                            of the City of Detroit.
11
                                                   11
12
        Appearing on behalf of the Macomb Interceptor
                                                   12
13
         Drain Drainage District.
                                                   13
                                                       ROBERT J FRANZINGER (P25539)
14
                                                   14
                                                       Dykema Gossett PLLC
15
                                                   15
                                                       400 Renaissance Center
                                                       Detroit, Michigan 48243
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                                                   16
17
                                                   17
                                                       313.568.6690
18
                                                       rfranzinger@dykema.com
                                                   18
19
                                                   19
                                                            Appearing on behalf of the Witness.
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	July 11, 2014
Page	Page 7
1 TABLE OF CONTENTS	1 Q. Is Mr. Franzinger general counsel for Dykema?
2	2 A. No, he is not.
3 WITNESS PAGE	3 Q. Okay. You're an attorney, sir, but I don't know
4 MARK D. JACOBS	4 your past. I know that you were involved in
5 EXAMINATION BY MR. ADDIS 6	5 these transactions. Have you given a deposition
6	6 before?
7 EXHIBIT PAGE	7 A. No.
8 (Exhibits attached to transcript.)	8 Q. God, you're a lucky one. Well, I'll give you the
9	9 basic rules, but I'm pretty sure you know them.
10 DEPOSITION EXHIBIT 11 15	10 This young lady to the right is going to take
11 DEPOSITION EXHIBIT 12 38	11 down everything you say. Since we're both
12	12 lawyers, we have the propensity to know where the
13	13 other guy is going. I'll do my best not to talk
14	14 over you if you could do the same for me. It
15	15 would make her life a lot easier. All the
16	answers have to be verbal. Uh-huh and huh-uhs
17	17 don't do very well. And certainly, sir, if I ask
18	18 you any question you don't understand and that
19	19 is bound to happen sooner or later just let me
20	20 know and I'll be happy to rephrase it. Fair
21	21 enough?
22	22 A. Fair enough. Just try to make the questions as
23	23 clear as possible.
24	24 Q. I'll do my best. Can you give us a little bit of
25	25 your educational background, college, law school,
Page	Page 8
1 Detroit, Michigan	1 things likes that?
2 Friday, July 11, 2014	2 A. I graduated from the University of Michigan in
3 3:29 p.m.	3 1975 with a degree in zoology and anthropology. I
4 MARK D. JACOBS,	
	4 graduated from the University of Michigan School
·	4 graduated from the University of Michigan School 5 of Public Health in 1978 with a degree in
5 was thereupon called as a witness herein, and	5 of Public Health in 1978 with a degree in
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Page 9

1 Q. If nothing else, my curiosity, when you say you

- handle rate matters, is that disputes over rates
- or the setting of rates, or both?
- 4 A. Both.
- 5 Q. During your practice -- have you been with Dykema
- Gossett during your entire law practice?
- 7 A. Yes, I have.
- 8 Q. When did you first become involved with
- representing the City of Detroit in any capacity?
- 10 A. To the best of my recollection, around 1989.
- 11 Q. And was it always the Detroit Water and Sewer
- **12** Department or were there other departments?
- 13 A. It was always the Detroit Water and Sewer
- 14 Department.
- 15 Q. Sir, I don't think it's any surprise that the --
- we're here largely about the acquisition from the
- 17 Detroit Water and Sewer Department by the Macomb
- Interceptor Drain Drainage District of the Macomb 18
- 19 portion of the Detroit sewerage system in Macomb
- 20 County, which I think has been described here
- 21 previously as north of 8 Mile. I'm sure it goes
- 22 in other directions also. All right?
- 23 Sir, when, to your knowledge, did
- 24 negotiations first begin for Macomb to purchase
- 25 the system?

- elimination system to the Detroit Water and Sewer
- 2 Department's wastewater treatment plant. That
- contained a number of new and onerous requirements

Page 11

- 4 that would have involved in excess of 4 or
- 5 \$5 billion to comply with. We filed an
- 6 administrative appeal of the permit, and we also
- 7 filed a petition with Judge Feikens to take
- 8 jurisdiction over the permit. And so we spent the
- 9 next roughly five years fighting over that permit.
- 10 And then over the years, there have
- 11 been just multiple different assignments involving
- 12 everything from construction litigation to
- 13 disputes -- I did not -- not as a litigator --
- 14 rate disputes that came up almost annually with
- 15 wholesale customers, efforts by the Detroit Water
- 16 and Sewer Department to do things required by the
- 17 NPDS permit that were interfered with by third
- parties that we had to deal with, notably the Army 18
- 19 Corps of Engineers, and many, many other different
- 20 capacities. The assignments have been more
- 21 numerous than I could even begin to recall.
- 22 Q. All right. So at some point in time, now that we
- know what your involvement has been -- and it's
- 24 been broad ranged; would that be fair to say? --
- you became aware that Macomb and Detroit were

Page 10 Page 12

- 1 A. Do you mean the negotiations of the transactional
- document or the overall deal?
- 3 Q. Let's start overall and then we'll go to the
- document.
- 5 A. Sometime in 2005 -- I'm not real good with dates
- -- or 2006 DWSD's former director Victor Mercado
- 7 and Macomb County, whatever his title is, Tony
- Marrocco, discussed the possibility of Macomb 8
- 9 County acquiring the Macomb portion of the
- 10 Oakland-Macomb Interceptor.
- 11 O. How did you become aware of that discussion?
- 12 A. I think one of the first discussions may have
- 13 occurred in chambers in Judge Feikens' chambers,
- 14 so I may have been present.
- 15 Q. So I can assume by that answer that you were
- involved in the Feikens litigation -- what we'll
- 17 call the Feikens litigation?
- 18 A. I was.
- 19 Q. Okay. And what was your involvement in the
- Feikens litigation?
- 21 A. Do you want the history back to the beginning?
- 22 Q. As briefly as you can state it so that we
- 23 understand, that would be enough for me.
- 24 A. When I first got involved in 1989, the State of
- Michigan had issued a national pollutant discharge

- willing to talk about a purchase of the Macomb
- portion of the system; is that correct?
- 3 A. I'm not sure I understand the question.
- 4 Q. Okay. At some point -- I think you said it was
- about 2005 or '06 you became aware Mr. Mercado
- and Mr. Marrocco were talking about a Macomb
- purchase of the system, correct?
- 8 A. That is correct.
- 9 Q. Okay. Was there a time or a date in which you
- were officially brought into or involved in those
- discussions?
- 12 A. I suppose I got involved in the Macomb discussions
- 13 sometime after Oakland County acquired the
- 14 Clinton-Oakland portion -- the Clinton-Oakland and
- 15 the Edison Corridor portion of the Oakland-Macomb
- 16 Interceptor District. Actually it was the
- 17 Oakland-Macomb Interceptor Drain Drainage District
- that acquired the Oakland portion. 18
- **19** O. Okay.
- 20 A. After that transaction closed, we shortly
- 21 thereafter commenced discussions on the Macomb
- 22 piece.
- 23 Q. Okay. When you said you commenced discussions,
- 24 who did you commence discussions with?
- 25 A. It was largely the same team of people that were

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Page 13

- 1 involved in the negotiation of the Oakland portion
- 2 of the Oakland-Macomb Interceptor with the
- 3 exception of the Oakland specific representatives.
- 4 Q. Okay. By that I mean what people were you
- 5 talking to from Macomb?
- 6 A. Principal representatives of Macomb County on
- 7 those discussions were Craig Hupp, their outside
- 8 attorney at Bodman, and Bill Misterovich, chief
- 9 deputy something something from the county who's
- 10 also a lawyer, and perhaps one or more of their
- 11 technical/engineering people. I don't recall
- 12 exactly who all was involved.
- 13 Q. Now we're to the part of the formal discussions.
- 14 How did the formal negotiations begin from your
- 15 side of the table? By that I mean, so I can make
- 16 my question clear, did you put together a list of
- 17 information that you wanted or a due diligence
- **18** list of some sort?
- 19 A. The discussions were led by Macomb County. As the
- 20 purchaser, they were the ones asking for
- 21 information. We weren't offering up information.
- 22 Q. Okay. So you would respond to their requests
- 23 when you thought it was appropriate?
- 24 A. Correct.
- 25 Q. Okay. Do you know, sir, what type of information

- **1** for --
- 2 MARKED FOR IDENTIFICATION:
- 3 DEPOSITION EXHIBIT 11
- **4** 3:43 p.m.
- 5 BY MR. ADDIS:
- 6 Q. Sir, I've handed you what's entitled an
- 7 Interceptor Transfer Due Diligence Information
- 8 List, which says "Revision 1/23/09" on it. Do
- 9 you recognize this document?
- 10 A. No, I don't.
- 11 Q. Okay. You don't believe you've seen this
- **12** document before?
- 13 A. Not that I recall.
- 14 Q. Okay. So this is not a document that you
- 15 prepared?
- 16 A. No, it is not. Looking at the footer on the
- 17 document, it appears to have been generated by Mr.
- 18 Hupp
- 19 Q. Okay. Sir, I want to be clear. Did Mr. Hupp
- 20 ever sit down and discuss this document with you,
- 21 perhaps without giving it to you? Had you seen
- 22 it before in his possession?
- 23 A. The topics covered by this due diligence
- 24 information list were discussed at length between
- 25 the parties. It appears to be a document that

Page 14 Page 16

- 1 or can you recall what kinds of information they
- 2 requested and you provided?
- 3 A. The business terms of the transaction that were
- 4 agreed to between Tony Marrocco and Victor Mercado
- 5 was that the purchase price would be equal to the
- 6 outstanding principal balance on the bonds
- 7 allocated to the assets that comprise the Macomb
- 8 system. And it was that financial information
- 9 that Macomb County asked DWSD to provide.
- 10 Q. Okay. And did DWSD provide that information to
- **11** them?
- 12 A. They did.
- 13 Q. Okay. What time frame are we talking here?
- 14 A. I don't recall exactly when the Oakland-Macomb --
- 15 the Oakland system closed, but it was from within
- 16 months of that closing through the closing of the
- 17 Macomb transaction, which I think was
- 18 September 2010.
- 19 Q. We have an acquisition agreement signed
- 20 September 2, 2010. Is that --
- 21 A. That sounds correct.
- 22 Q. That sounds correct to you?
- MR. ADDIS: Are we just continuing to
- 24 number the --
- 25 MR. WATSON: Yeah, I assume we will

- 1 perhaps was provided to Detroit directly.
- 2 Certainly I would have none of this information.
- 3 Q. Sir, as I understand it, you believe you
- 4 discussed, at least with this brief review of it,
- 5 many of the matters contained in this list -- in
- 6 this exhibit, correct?
- 7 A. That's correct.
- 8 Q. With Mr. Hupp?
- 9 A. With Mr. Hupp and others.
- 10 O. And Mr. Misterovich?
- 11 A. Yes.
- **12** Q. And representatives of DWSD, were they --
- 13 A. Yes.
- 14 Q. Discuss those matters with you?
- 15 A. Yes.
- 16 Q. When you were negotiating, for lack of a better
- 17 term, and communicating or doing both with
- 18 Mr. Misterovich and/or Mr. Hupp, who was acting
- 19 with you? Were there members of DWSD, either
- 20 Mr. Mercado or others that were involved with you
- 21 in those negotiations?
- 22 A. I don't recall exactly who participated in the
- 23 meetings on a day-to-day basis, but Bob Walter and
- 24 myself were there as the lawyers, and there may
- 25 have been various administrative representatives

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1 from time to time. I don't recall who was in the

- 2 director's seat at that time. It may have been
- 3 Pam Turner. I don't recall. But I don't believe
- 4 that Victor was in office at that point.
- 5 Q. Let me just interrupt, if I may, because I want
- 6 to keep a timeline. When the discussions first
- 7 start, it was Victor Mercado and Marrocco in
- 8 informal discussions, correct?
- 9 A. Correct.
- 10 Q. And then they made some informal agreement as to
- 11 how they were going to set the price attached to
- **12** the debt, correct?
- 13 A. Correct.
- 14 Q. So far I've got it right, okay. And then at some
- 15 point in time when official discussions started,
- 16 which included you and Mr. Misterovich and Mr.
- 17 Hupp and Mr. Walter -- and Mr. Mercado was not
- **18** ever involved in those?
- 19 A. I believe so, no.
- 20 Q. Okay.
- 21 A. I also omitted Bart Foster, who was DWSD's
- 22 financial advisor and rate consultant who was the
- 23 primary spokesperson for DWSD on the numbers.
- 24 Q. Okay. Before we go to just the acquisition
- 25 agreement, in your position of helping DWSD over

1 Q. Up until even today, from when you first started

Page 19

- 2 representing them to today, have you or your firm
- 3 ever handled any criminal matters for DWSD?
- 4 A. No, we have not.
- 5 **MR. WATSON:** I'll object to foundation.
- 6 You can answer if you can.
- **THE WITNESS:** The answer is no.
- 8 BY MR. ADDIS:
- 9 Q. I'm assuming you do not practice criminal law?
- 10 A. I do not.
- 11 Q. Okay. Now, you mentioned to me earlier that you
- 12 guys would meet and many times not everybody
- would be at every meeting, so sometimes it would
- 14 be Misterovich by himself, sometimes Misterovich
- 15 with others, with Hupp. I'm assuming there would
- be times where it would be just you and Mr. Hupp?
- 17 A. There were different people at different times. I18 don't believe that Misterovich would have appeared
- 19 without Craig Hupp being present.
- **20** Q. Okay. Give me a time frame. How often did these
- 21 negotiations take place, these meetings, no
- 22 matter who was there?
- 23 A. I can't really recall. It was intermittent in the
- 24 early stages. As we got closer and closer to the
- 25 closing date, it was at least weekly.

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- 1 these years providing them counsel, were you
- 2 aware of other issues other than just this
- 3 purchase -- other issues that existed between
- 4 Macomb and Detroit; is that correct?
- 5 A. What do you mean by other issues?
- 6 Q. Well, did they often have issues over rates?
- 7 A. Yes, they did.
- 8 Q. Okay. Over interest rates?
- 9 A. Interest rates, yes.
- 10 Q. Over 800 mega hertz radio system?
- 11 A. Yes, they did.
- 12 Q. Okay. Didn't they have -- in other words, were
- you aware that they had a number of disputes?
- 14 A. I am aware of that, yes.
- 15 Q. All right. And these disputes were, of course,
- 16 subjects for Judge Feikens from time to time,
- 17 correct?
- 18 A. They were often before Judge Feikens.
- 19 Q. In your representation of DWSD at any time, did
- 20 you ever give them any advice regarding any
- 21 criminal matters?
- 22 A. No. I did not.
- 23 Q. Did you have somebody in your firm advise DWSD on
- 24 any criminal matters?
- 25 A. No, we did not.

- 1 Q. Okay. And the early stages began, again? It's
- **2** been a long day.
- 3 A. Sometime after the closing of the Oakland portion
- 4 of the overall interceptor system.
- 5 MR. ADDIS: Does anybody know when that
- 6 was? Give me an approximate date.
- 7 MS. BADALAMENTI: Not long before ours,
- 8 maybe '09.
- 9 BY MR. ADDIS:
- 10 Q. About '09, she says. Would that make sense to
- 11 you? I won't hold you to it.
- 12 A. It's certainly a ballpark number that I would work
- 13 with.
- 14 Q. We can look it up, when did they close. And then
- 15 after that Mr. Marrocco and his crowd began to
- 16 pursuing buying their section of it?
- 17 A. That's correct.
- 18 Q. And it finally culminated in September 2010 with
- 19 an agreement, correct?
- 20 A. That's correct.
- 21 Q. Okay. Now, I don't know what we did with your
- 22 exhibits, but -- right here. We've had these
- 23 previously marked. Exhibit 5 is the acquisition
- 24 agreement. Can you describe to me, sir, the
- process by which this agreement was hammered out.

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1 By that I mean did somebody --

MR. ADDIS: Exhibit 6. I apologize.

- **3 BY MR. ADDIS:**
- 4 Q. Negotiations take place. We've established that.
- 5 And then eventually an acquisition agreement is
- 6 put together and laid on paper. What I'm
- 7 interested in is the process of how this
- 8 acquisition agreement was written and approved.
- 9 By that -- let me ask the first question. Did
- 10 someone submit a first draft?
- 11 A. The first draft was the Oakland transactional
- 12 document, because with limited exceptions, other
- 13 than the purchase price, the Macomb acquisition
- 14 agreement mirrors the Oakland acquisition
- 15 agreement.
- 16 Q. And do we know who put together the Oakland
- 17 acquisition agreement?
- 18 A. It was the same group of parties.
- **19** Q. Okay. That would include you?
- 20 A. Me.
- 21 Q. Was Mr. Hupp involved in that?
- 22 A. Yes, he was.
- 23 Q. Okay. And Mr. Hupp represented who? Oakland?
- 24 A. The Oakland Macomb Interceptor Drain Drainage
- 25 District, I believe. I don't believe he was there

1 consummated with this agreement in September of

Page 23

Page 24

- 2 '10. During that period of time, sir, were you
- 3 ever made aware of DWSD employees being
- 4 investigated by either federal or state
- 5 authorities?
- 6 A. I don't recall whether I had heard anything about
- 7 that during this period of time.
- 8 Q. Okay. Did any of the DWSD employees -- I always
- 9 forget Pam's last name.
- 10 A. Pam Turner.
- **11** Q. Did Pam Turner ever report to you that she had
- 12 been told by some of her employees that they had
- been questioned by the U.S. Attorney's Office?
- 14 A. No, she did not.
- 15 Q. Had you ever been told by Mr. Walters that he was
- 16 made aware that some of the DWSD officials and
- 17 employees had been questioned by the U.S.
- **18** Attorney's Office?
- 19 A. I don't believe he ever discussed it with me.
- 20 Q. Okay. I'm going to jump ahead, and we may come
- 21 back to some other things. There comes a time
- 22 that everybody meets in a room and signs this
- 23 document. Sir, can you tell me who was in that
- 24 room on September 2nd, 2010.
- 25 A. Craig Hupp and myself, the persons who signed the

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1 for Oakland specifically.

- **2** Q. I understand. Okay. Anybody else in that
- 3 process?
- 4 A. Oakland may have had its other attorneys involved.
- 5 Oh, Joe Colaianne from the Water Resource
- 6 Commissioner's Office was a lawyer. John
- 7 McCulloch was involved. Those were the principal
- 8 players for Oakland County.
- 9 Q. Okay. By the time we got down to the signing
- 10 date of this acquisition agreement, did you ever
- 11 compare this acquisition agreement side by side
- 12 to the Oakland agreement?
- 13 A. Not that I recall.
- 14 Q. Okay. Do you know whether Mr. Hupp had done
- **15** that?
- 16 A. I would have no idea.
- 17 Q. Okay. Or Mr. Misterovich?
- 18 A. I wouldn't know.
- 19 Q. Okay. So it's fair to say that the Oakland
- agreement as a model was used for this agreement?
- 21 A. To the best of my recollection, the only things
- 22 that were changed were the things that were
- 23 specific to Macomb County that were not specific
- 24 to Oakland County.
- 25 Q. Okay. Negotiations started in, we believe, '09,

- 1 document. There were several Bodman lawyers who
- 2 prepared many of the business-related documents,
- 3 assistants of various types from Bodman who were
- 4 helping assemble exhibits, myself, Bob Walter.
- 5 Q. Okay.
- 6 A. And possibly others.
- 7 Q. All right. At some point in time we know that
- 8 Victor Mercado left and then we know that Pam --
- **9** I forgot her name again.
- 10 A. Pam Turner.
- 11 Q. Pam Turner left, and Darryl Latimer, the deputy
- 12 director, if you agree with this, was pretty much
- 13 left in charge. Would that be an accurate
- 14 statement?
- 15 A. You know, I don't recall who was in the driver's
- 16 seat after Pam stepped down, but he would probably
- 17 have been the most senior man standing.
- 18 Q. Okay. Same term he used. Had you worked with
- **19** Mr. Latimer before?
- 20 A. Yes.
- 21 Q. Okay. Had you worked with him extensively or
- 22 just a few matters? How would you describe it?
- 23 A. Intermittently on miscellaneous minor items over
- 24 the years.
- 25 Q. Okay. There came a time when Mr. Latimer was in

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1 that room with you to sign that document. Before

- 2 he signed that document, did you sit down with
- 3 him and go over that document paragraph by
- 4 paragraph?
- 5 A. I did not.
- 6 Q. Okay. Did you give him a general explanation of
- 7 what this document was about?
- 8 A. Yes.
- 9 Q. Okay.
- 10 A. At least I let him know what the business -- what
- 11 the purchase price was.
- **12** Q. Okay.
- 13 MR. WATSON: Can I -- hold on. Let me
- 14 talk to my counsel here for a second.
- 15 MR. ADDIS: Okay.
- (Off the record at 3:57 p.m.)
- 17 (Back on the record at 4:00 p.m.)
- 18 MR. WATSON: Brief statement: We
- 19 didn't assert any privilege the last couple of
- 20 questions. I think we got right to the edge,
- 21 maybe even a little bit over, but that's as far as
- 22 I'm going to let him go in regard to the
- 23 discussions he had with Mr. Latimer where Macomb
- **24** County wasn't present.
- 25 MR. ADDIS: Well, I think -- and I

1 all in the room, okay? While everybody is in that

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- 2 room, did Mr. Latimer express any questions or
- 3 comments regarding the contents of the agreement?
- 4 A. I don't recall any conversation specifically with
- 5 or from Darryl Latimer.
- 6 Q. Okay. Generally?
- 7 A. I don't recall anything.
- 8 Q. Okay. Did you witness or did you see Mr. Latimer
- **9** reading the document?
- 10 A. I don't remember.
- 11 Q. Do you know whether your co-counsel at the time,
- 12 Mr. Walters, or brother counsel, Mr. Walters,
- 13 spent any time with Mr. Latimer away from that
- **14** meeting room?
- 15 A. I wouldn't know.
- **16** Q. But on the day the signing took place -- let's
- 17 talk about that day. Where did the signing take
- **18** place?
- 19 A. In a conference room at Bodman's offices at Ford
- 20 Field.
- 21 Q. Okay. And about what -- do you remember what
- 22 time of day?
- 23 A. Sometime during that September 2nd, whatever. I
- 24 don't remember what time of day it was.
- 25 Q. Okay. How long did the process take?

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- 1 understand your position. But I think the
- 2 backdrop of that question was they were all in the
- 3 room to sign these documents, okay, and so I'm not
- 4 sure privilege would attach when everybody was in
- 5 the room.
- 6 MR. WATSON: To the extent you're
- 7 asking questions of what he told Latimer in
- 8 general discussions with everyone at the table, I
- 9 think you're right. One-on-one discussions with
- 10 Latimer or with Latimer and other Detroit
- 11 officials, I plan to assert the privilege.
- 12 MR. ADDIS: Okay. I understand,
- 13 Jerome. Thanks.
- 14 BY MR. ADDIS:
- 15 Q. Sir, you understand that your counsel has
- 16 asserted the privilege for any private
- 17 conversations that you had with your clients?
- 18 A. I do.
- 19 Q. Okay. And so we're going to honor that. I may
- 20 not agree, but we're going to a honor it and move
- 21 forward with those ground rules. If I come close
- 22 to stepping on them, you can feel free to stop
- 23 me. I'm sure Jerome will beat you to it, but in
- 24 case he doesn't.
- 25 However, let's go back to where we're

- 1 A. I don't really recall. I could guess three or
- 2 four hours.
- 3 Q. Okay. During that three or four hours what was
- 4 discussed at the table?
- 5 A. We were trying to just assemble all the documents
- 6 that went into this package.
- 7 Q. Which means not only the agreement which had
- 8 pretty much been -- I'm assuming the agreement
- 9 had already been provided, correct -- an
- 10 agreement without attachments?
- 11 A. On the day of closing no negotiations were taking
- 12 place.
- 13 Q. So an agreement was there, but there were a
- 14 number of exhibits and attachments that had to be
- **15** added to it, correct?
- 16 A. That's correct.
- 17 Q. All right. And so you and Mr. Walters and Mr.
- 18 Hupp and Mr. Misterovich and whoever else was
- 19 there. You mentioned another couple gentlemen.
- 20 You were assembling and may I assume agreeing on
- **21** which documents should be properly attached?
- 22 A. We were just making sure they were already there.
- 23 It was already understood what was going to be
- 25 Q. It had all been agreed up, but putting it

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1 together was a matter that took some time?

- 2 A. Yes.
- 3 Q. Okay. And I take it, then, that the agreement
- 4 was not signed until all of the exhibits were
- 5 attached or was it signed first by Mr. Latimer,
- 6 who then left, and the rest of the work was done,
- 7 if you recall?
- 8 A. I don't recall.
- 9 Q. Do you recall if Mr. Latimer ever was shown the
- 10 exhibits or attachments?
- 11 A. I don't remember. I know the only things he saw
- 12 were the things that he had to sign. Otherwise,
- 13 it wouldn't have been presented to him.
- 14 Q. Was there ever any discussion -- prior to the
- 15 execution of this agreement, was there ever any
- 16 discussion as to whether or not Mr. Latimer had
- 17 the authority to sign it?
- 18 A. I don't recall any discussions on that subject.
- **19** Q. Okay. Do you know whether your office or Mr.
- 20 Hupp's office or Mr. Misterovich's office or any
- 21 of the lawyers' offices had contact with either
- 22 the mayor's office or, if Judge Feikens was still
- 23 in charge, either Judge Feikens or Judge Cox's
- 24 office as to whether or not that gentleman had
- 25 the authority to sign that agreement?

1 sign it?

- 2 A. I have no idea.
- 3 Q. Okay. Did you tell him he had the authority to
- 4 sign it?
- 5 A. I wouldn't have the knowledge to tell him that.

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- 6 Q. Okay. Do you know whether Mr. Hupp issued an
- 7 opinion to him as to whether he had the authority
- 8 to sign?
- 9 A. I doubt it.
- 10 Q. Okay. You don't recall him saying --
- 11 A. I don't recall.
- 12 Q. Okay. I want to take you to certain paragraphs,
- and you may or may not have knowledge of this, so
- 14 we'll find out. On the acquisition agreement,
- page 2 of 25, paragraph 1.10, do you know who
- **16** authored this paragraph?
- 17 A. I don't know who authored it. I know that Macomb
- 18 County wanted knowledge to be based on knowledge
- 19 of people who would presumably have some actual
- 20 knowledge about the physical condition of the
- 21 assets that were being conveyed.
- 22 Q. Okay.
- 23 A. And so these were the people that DWSD designated
- 24 as having such knowledge.
- 25 Q. Okay. DWSD said that these people here, meaning

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- 1 MR. FRANZINGER: You should only answer
- 2 that question with respect to non-clients.
- 3 MR. ADDIS: I agree. I understand.
- 4 THE WITNESS: Could you rephrase that
- 5 question.
- **6 BY MR. ADDIS:**
- 7 Q. Yeah, I wish I could. Let me try it again.
- 8 That's fair enough. We're all sitting around
- 9 and, was there ever any discussion between the
- 10 lawyers, not with clients, between the lawyers as
- 11 to whether or not Mr. Latimer had the requisite
- 12 authority to sign this contract and make it
- 13 binding?
- MR. FRANZINGER: Between the lawyers
- 15 for the respective parties --
- 16 MR. ADDIS: Yes.
- 17 MR. FRANZINGER: -- as opposed to, for
- 18 example, Mr. Jacobs and Mr. Walter?
- **MR. ADDIS:** Between the respective
- 20 parties.
- **THE WITNESS:** I don't recall any such
- 22 discussion. Quite frankly, he showed up; I
- 23 assumed he had the authority to sign it.
- 24 BY MR. ADDIS:
- 25 Q. Okay. Do you know who told him to show up and

- 1 -- and I'll quote. One is the director, correct?
- 2 A. Yes.
- 3 Q. Okay. At that time, however, DWSD didn't have a
- 4 director, did it?
- 5 A. I'm not sure.
- 6 MR. WATSON: I'm going to object to the
- 7 form of the question. We're not really sure when
- 8 this language was drafted.
- 9 MR. ADDIS: Well, I'm not sure that was
- 10 the testimony. Let me ask it. If I'm lacking
- 11 foundation, I'll try to build one.
- 12 BY MR. ADDIS:
- 13 Q. Do you know when this language was drafted and
- 14 when did all the parties assent to it prior to
- 15 signature?
- 16 A. I do not. This could have been a carryover from
- 17 the prior transaction. It most likely was.
- 18 Q. Okay. Do you know who supplied the -- I notice
- 19 that in this paragraph regarding Detroit's
- 20 knowledge it lists director, assistant
- 21 corporation counsel assigned to DWSD matters, and
- 22 assistant chief of engineering or engineering
- 23 support manager, Craig Stanley. I know that
- 24 Mr. Stanley is the only guy directly named in
- 25 this thing. Do you know the genesis of that?

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1 A. I do not recall.

- 2 Q. Okay. So it would be fair to say you don't know
- 3 if Macomb requested that it be Craig Stanley or
- 4 DWSD offered him up?
- 5 A. Correct.
- 6 Q. Do you know who Craig Stanley is?
- 7 A. I do not.
- 8 Q. Had you ever worked with him before?
- 9 A. Never met the man.
- 10 Q. Do you know whether anybody ever talked to
- 11 Mr. Stanley about whether he wanted the
- 12 responsibility of being the keeper of Detroit's
- 13 knowledge?
- 14 A. I do not.
- 15 Q. I want to take you to page 11 of 25, paragraph
- 16 3.7, entitled Litigation. And I'm going to just
- 17 read it for the record. "Except as set forth in
- 18 Schedule 3.7 hereto, there is no action, suit or
- 19 proceeding pending or, to Detroit's knowledge,
- 20 threatened against or affecting Detroit before
- 21 any governmental entity in which there is a
- 22 reasonable possibility of an adverse decision
- 23 which could have a material adverse effect upon
- 24 the ability of Detroit to perform its obligations
- 25 under this agreement or which in any manner

- 1 acquisition had to be approved by the Detroit
- 2 Water Board, so there presumably was some review

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- 3 at that level, but I want -- I didn't appear
- 4 before them. I don't know how they -- how or
- 5 where or when they addressed this.
- **6 BY MR. ADDIS:**
- 7 Q. Okay. I want to take you to paragraph 5.3, sir,
- 8 Litigation and Claims. And this is on 14 of 25.
- **9** I'm sorry. I should have told you that first.
- 10 And, again, reading for the record, "Detroit
- 11 shall promptly inform the Macomb County and MID
- 12 in writing of any claims of which Detroit is or
- 13 becomes aware that are or might reasonably be
- 14 expected to become the subject of litigation
- 15 affecting the Macomb system or the transactions
- **16** contemplated by this agreement."
- Now, sir, using that as a foundation,
- 18 did there come a time, sir, when you became aware
- 19 that DWSD employees were being questioned by the
- 20 FBI, a grand jury, or the U.S. Attorney's Office
- 21 regarding the practices of DWSD?
- 22 MR. FRANZINGER: Again, you should not
- 23 disclose any conversations that you had with the
- 24 client or that are based upon knowledge that you
- 25 had based on discussions you had with your client.

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- 1 questions the validity of this agreement."
- 2 Sir, at the time -- either prior to or
- 3 at the actual time of signing this, did anybody in
- 4 the room ask Mr. Latimer if he had any such
- 5 knowledge?
- 6 A. I don't believe anybody asked them that.
- 7 Q. As of the date of this signing, were you aware --
- 8 strike that.
- 9 Was Mr. Latimer the only DWSD employee
- **10** at that meeting?
- 11 A. At which meeting?
- **12** Q. At the signing itself.
- 13 A. I don't recall.
- 14 Q. Can you tell me which -- can you tell me whether
- 15 anybody within the City of Detroit other than
- 16 their counsel did a full review of this
- 17 acquisition agreement before signing?
- 18 A. I'm not sure who reviewed it.
- **19** Q. Did anybody ever communicate to you that they
- 20 reviewed it?
- 21 MR. FRANZINGER: Objection. You
- 22 shouldn't disclose any discussions you had with
- 23 your client.
- **THE WITNESS:** I don't recall. My --
- 25 for what it's worth, I believe that this

- 1 MR. WATSON: And I'll object to the
- **2** foundation of the question, too.
- **THE WITNESS:** In any event, I don't
- 4 recall any specific conversations with anybody
- 5 about those activities. I heard rumors just like
- 6 everybody else. I don't know where I heard them,
- 7 how I heard them, but I just heard scuttlebutt.
- 8 There was no one-on-one conversations with anybody
- 9 about that subject.
- 10 BY MR. ADDIS:
- 11 O. Okay. When you heard these rumors or
- 12 scuttlebutt, okay, as you call it -- and I
- 13 understand how that goes through any office --
- 14 did you consider whether or not a written
- 15 notification of at least these rumors should have
- 16 been sent to Macomb County under paragraph 5.3?
- 17 A. The knowledge I had about the scope of that
- 18 investigation was so vague and general there was
- 19 no way it could have alerted me to that -- any
- 15 no way it could have dictical me to that any
- 20 connection between that investigation and this
- 21 transaction.
- 22 Q. So the answer is you did not?
- 23 A. I suppose that's the answer. I can't remember the
- 24 question exactly.
- 25 Q. 1.13 on page 2 of 25, Global Settlement

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1 Agreement, were you familiar, sir, with the

2 Global Settlement Agreement?

3 A. Yes, I was.

4 Q. Were you familiar with what subjects that Global

5 Settlement Agreement applied to?

6 A. Yes.

7 Q. What were those subjects that it applied to?

8 A. Well, at the time I was very familiar with it,

9 even though it had been a few years, but today

10 sitting here today, I could only try to remember.

11 Interest rates, 800 megahertz radio, and a

12 gentleman's agreement, the Letter of Intent to

13 consummate these transactions.

14 Q. And was that Global Settlement Agreement, sir,

15 something that was reached in conjunction with

16 the Feikens case?

17 A. Yes.

18 Q. Were you part of those negotiations in front of

19 Judge Feikens -- or might not have been in front

20 of him, but under the control of Judge Feikens

21 that led to that Global Settlement Agreement?

22 A. Yes.

23 O. And as a result of that Global Settlement

24 Agreement, certain actions were applied to the

25 pricing of this acquisition agreement; is that

1 three-quarters of the way down, says, as you can

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2 see, \$17,050,000, correct?

3 A. I see that, yes.

4 Q. Yes. And that is a recording, so to speak -- a

5 written recording of what you just testified to

6 as the settlement money for the interest rate

7 dispute, correct?

8 A. That's correct.

9 Q. And that's what that reflects?

10 A. That's correct.

11 Q. Thank you. When did you first become aware of an

12 investigation into Mr. Kilpatrick, Ferguson

13 and/or Mercado?

14 A. You know, I really don't remember when I first

15 heard about it. Like I said, it was just stuff I

16 heard on the street. When it happened, I really

17 couldn't tell you.

18 Q. Were you ever contacted by either the Department

19 of Justice, U.S. Attorney's Office, the FBI or

20 anybody regarding any knowledge you might have of

21 the operations of DWSD?

22 A. No.

23 Q. And to this day you have not been?

24 A. I have not been.

25 Q. Did any of the employees of the city -- of DWSD

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1 correct?

2 A. One of the issues addressed in the Global

3 Settlement Agreement was carried forward as a

4 credit on the purchase price.

5 Q. Okay. And which one do you believe that was?

6 A. That was the roughly \$17 million interest rate

7 dispute resolution.

8 Q. So the \$17 million that I've seen on that

9 sheet --

10 A. Yes.

11 Q. -- and now that you've seen is for that interest

12 rate dispute resolution, correct?

13 A. Correct.

14 Q. Thank you.

15 (Mr. Ruegger not present at 4:18

16 p.m.)

17 MARKED FOR IDENTIFICATION:

18 DEPOSITION EXHIBIT 12

19 4:18 p.m.

20 BY MR. ADDIS:

21 Q. Sir, I'm showing you what has been now marked as

22 Exhibit 12, and I believe that that is from that

23 agreement that we talked about, the Global

24 Settlement Agreement. What I mean is what is in

25 there under the term "global settlement," about

1 ever supply you with copies of their subpoenas to

2 appear before grand juries?

3 A. They did not. As I said, I never spoke to anybody

4 about it.

5 Q. Okay. So basically what you're telling me is you

6 have had absolutely no contact with DWSD

7 employees regarding the investigation of DWSD and

8 the subsequent prosecution of Kilpatrick, et al.?

9 A. Well, that's two different questions.

10 Q. Okay.

11 A. I never talked to anybody at DWSD about the

12 investigation. Once the trial started, yeah,

13 everybody was talking about it.

14 Q. I agree with that. My point was this: Were you

15 ever asked, approached or offer anybody any

16 advice or counsel regarding those issues raised

17 in U.S. vs. Kilpatrick regarding contracts of

18 DWSD?

19 A. Absolutely not.

20 Q. Okay. That takes care of a large number.

Going back to the \$17 million

22 settlement, were you involved in those

23 negotiations?

24 A. I was involved in the negotiation of the 800

25 global settlement -- what was called the Global

City of Detroit Mark D. Jacobs

July 11, 2014 Page 41 Page 43 Settlement Agreement. The \$17 million, as with 1 Q. What caused you to go to the DWSD -- to the site all the numbers, are numbers that were generated 2 of the sewer collapse? 3 by financial people. It was what it was. 3 A. I don't remember what took us out there. I think 4 Q. All right. I want to take you to paragraph --4 it was just to see it. page 6 of 25, paragraph 2.4, under Article II, 5 Q. Okay. That was long before this negotiation the Purchase and Sale. Were you, sir, involved 6 process of this agreement, correct? in the negotiation of that particular paragraph, 7 A. When was the collapse? '04? '03? which talks about assignment of warranty and 8 O. '04. 8 guarantee rights? 9 A. I think I just wanted to see it. 10 A. I was around when this topic was discussed. **10** Q. Okay. 11 Q. Okay. Was it -- did your firm author the first 11 A. It was quite a sight. 12 draft of paragraph 2.4 or was it Mr. Bodman or 12 Q. Those of us who lived near it tried to avoid it. 13 Mr. Misterovich? 13 A. Then you know it was quite a sight. 14 **MR. WATSON:** Object to the form of the **14** Q. It was quite a sight. question. You can answer, if you can. 15 MR. ADDIS: If you give me five minutes 15 **MR. ADDIS:** If he know. 16 16 here, please. 17 **THE WITNESS:** Just to make this easy, 17 (Off the record at 4:29 p.m.) all the provisions of this agreement, like this 18 (Back on the record at 4:42 p.m.) 18 19 BY MR. ADDIS: 19 one, were things addressed -- subjects that Macomb 20 County wanted, so they originated with Macomb 20 Q. When I tell you that I have just one question for 21 County. They said they wanted all these things. you, I mean it. All right. I started to tell 22 They proposed language. There may have been some 22 you about some ongoing litigation outside of this 23 negotiation, but all of these sorts of provisions particular litigation. Have you been asked by 24 originated with Macomb. 24 any party to provide information regarding or 25 BY MR. ADDIS: testimony -- information or testimony regarding Page 42 Page 44 1 Q. Okay. And I'll accept that as your answer, sir, 1 MIDD vs. Inland pending in U.S. federal court? but do you remember any specific discussion about 2 A. I have not. 2.4? Was there any warranty or guarantee or 3 MR. ADDIS: I'm all done. MR. WATSON: No questions. right that Detroit specifically refused to give 4 5 up? 5 (The deposition was concluded at 4:43 p.m. 6 A. I'm not aware there was anything we refused to 6 Signature of the witness was not requested by 7 counsel for the respective parties hereto.) 8 Q. Okay. Thank you. I'm taking my time moving 8 9 through this so we can limit our time at this 9 table. 10 10 11 There has been, sir, I believe -- are 11 12 you aware, sir, that there has been litigation 12 commenced by MIDD against Inland? 13 13 14 A. I've heard that there was some claims against the 14 contractors. I didn't know who in particular the 15 claims were against. 16 17 17 Q. In the course of your representation of the City 18 of Detroit, did you have cause to interact with 18 19 19

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20 A. I only had one interaction with Inland in my

to the site of the sewer collapse and there were

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anyone from Inland.

professional career working for DWSD. I went out

some Inland guys there, who I may have met. That

was the one and only time I ever had contact with

Page 45 CERTIFICATE OF NOTARY 1 2 STATE OF MICHIGAN) SS 3 COUNTY OF MACOMB 4 5 6 I, MELINDA S. MOORE, certify that this 7 deposition was taken before me on the date 8 hereinbefore set forth; that the foregoing 9 questions and answers were recorded by me 10 stenographically and reduced to computer 11 transcription; that this is a true, full and 12 correct transcript of my stenographic notes so 13 taken; and that I am not related to, nor of 14 counsel to, either party nor interested in the 15 event of this cause. 16 17 18 19 20 21 22 MELINDA S. MOORE, CSR-2258 23 Notary Public, 24 Macomb County, Michigan 25 My Commission expires: September 6, 2016